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CASE/COMPANY NAME:

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2001 NOV -2 P 11:35

Citizens Communications

RT-000004-97-0131

AZ CORP COMMISSION
DOCUMENT CONTROL

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NATURE OF ACTION OR DESCRIPTION OF DOCUMENT

Please mark the item that describes the nature of the case/filing:

01 UTILITIES - NEW APPLICATIONS

NEW CC&N

RATES

INTERIM RATES

CANCELLATION OF CC&N

DELETION OF CC&N (TERRITORY)

EXTENSION OF CC&N (TERRITORY)

TARIFF - NEW (NEXT OPEN MEETING)

REQUEST FOR ARBITRATION

(Telecommunication Act)

FULLY OR PARTIALLY ARBITRATED

INTERCONNECTION AGREEMENT

(Telecom. Act.)

VOLUNTARY INTERCONNECTION

AGREEMENT (Telecom. Act)

MAIN EXTENSION

CONTRACT/AGREEMENTS

COMPLAINT (Formal)

RULE VARIANCE/WAIVER REQUEST

SITING COMMITTEE CASE

SMALL WATER COMPANY -SURCHARGE (Senate Bill 1252)

SALE OF ASSETS & TRANSFER OF OWNERSHIP

SALE OF ASSETS & CANCELLATION OF CC&N

FUEL ADJUSTER/PGA

MERGER

FINANCING

MISCELLANEOUS

Specify

02 UTILITIES - REVISIONS/AMENDMENTS TO
PENDING OR APPROVED MATTERS

APPLICATION

COMPANY

DOCKET NO.

TARIFF

PROMOTIONAL

DECISION NO.

DOCKET NO.

COMPLIANCE

DECISION NO.

DOCKET NO.

Arizona Corporation Commission

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SECURITIES or MISCELLANEOUS FILINGS

04 AFFIDAVIT

12 EXCEPTIONS

18 REQUEST FOR INTERVENTION

48 REQUEST FOR HEARING

24 OPPOSITION

50 COMPLIANCE ITEM FOR APPROVAL

32 TESTIMONY

X 47 COMMENTS

29 STIPULATION

38 NOTICE OF INTENT

(Only notification of future action/no action necessary)

43 PETITION

46 NOTICE OF LIMITED APPEARANCE

39 OTHER

Specify

11/2/01
Date

Curt Huttzell / Czn Comm / Joann

Print Name of Applicant/Company/Contact person/Respondent/Atty.

Phone

PLEASE SEE NOTICE ON REVERSE SIDE



SM

4 Triad Center
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Salt Lake City, Utah 84180
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November 2, 2001

Ms. Sonn Ahlbrecht
Utilities Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

**Re: Docket No. RT-00000H-97-0137, Review and Possible Revision of
Arizona Universal Service Fund Rules**

Dear Ms. Ahlbrecht:

Please include my name on the formal service list in the AUSF review docket, RT-00000H-97-0137. My mailing address is as follows:

Curt Huttzell
Citizens Communications
4 Triad Center, Suite 200
Salt Lake City, UT 84180

Thank you for your cooperation.

Sincerely,

Curt Huttzell
Director, State Government Affairs

Arizona Corporation Commission
DOCKETED

NOV 02 2001

DOCKETED BY	
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Suite 200
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November 2, 2001

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

**Re: Docket No. RT-00000H-97-0137, Review and Possible Revision of
Arizona Universal Service Fund Rules**

To Whom It May Concern:

This letter constitutes Citizens Communications' ("Citizens") comments on the Arizona Universal Service Fund ("AUSF") rules, as requested by the Commission Staff in its September 20th memorandum from Mr. Steve Olea. Citizens agrees with the initial comments filed in this docket by the newly formed Arizona Local Exchange Carriers Association ("ALECA"), of which Citizens is a member. In addition, Citizens would like to supplement those comments in one important respect. Specifically, Citizens believes that access charge reform should accompany any modification of the Commission's AUSF rules.

AUSF Restructuring and Access Charge Reform

Statement of Issue

The most commonly understood meaning of universal service is the widespread availability of affordable basic local exchange service. In the high-cost, rural areas of Arizona, preserving and extending universal service has depended upon support from toll and access rates, particularly access rates. However, the support provided by toll and access is no longer sustainable in the presence of competition and changing federal regulatory policies. Equal access has already driven intraLATA toll rates closer to cost and substantially lessened their contribution to the affordability of basic service. Federal regulatory policy continues to reduce interstate access charges and widen the disparity between intrastate and interstate rates, setting up even more powerful incentives for interexchange carriers to misreport the jurisdictional nature of long-distance traffic. In short, competition and conflicting regulatory policies have already reduced the amount of support provided by toll rates and seriously threaten the adequacy of support from exchange access charges.

November 1, 2001

Recommendation

Because of the conflicts between federal and state regulatory policies, Citizens recommends the Commission consolidate this docket with its access charge reform docket (both dockets are currently open). At the very least, Citizens believes these two dockets should proceed along parallel paths. In either a consolidated or concurrent fashion, considering AUSF and access charge reform simultaneously allows the Commission to replace diminished support from exchange access with explicit support from universal service funding.

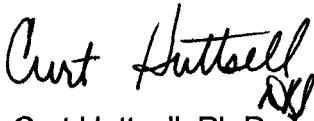
Benefits of Recommendation

Moving toward greater explicit support from the AUSF would contribute significantly toward the preservation of universal service in rural Arizona. Unless reliance upon access charges as a means of promoting universal service is lessened, widely available basic local exchange service at affordable rates is seriously threatened in high-cost, rural areas. Basic local exchange rates may have to rise significantly above current levels to replace traditional sources of support, or rural carriers, such as Citizens' three Arizona affiliates, may not be able to generate the funds necessary to maintain, improve, and expand their local operations. Greater AUSF support is a fair and effective explicit replacement for the current system of implicit support.

Conclusion

For all of the foregoing reasons, Citizens urges the Commission to proceed concurrently with universal service and access charge reform. Moreover, Citizens concurs with ALECA that AUSF support should become available to rural carriers, like its three Arizona affiliates, without the necessity of filing a rate case.

Sincerely,

A handwritten signature in cursive script that reads "Curt Huttself". The signature is written in dark ink and includes a stylized flourish at the end.

Curt Huttself, Ph.D.
Director, State Government Affairs